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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

July 2, 1996

William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

RE: Ex Parte Notice
CC Docket No. 96-98

Dear Mr. Caton:

On Friday, June 28, the undersigned and five individuals (listed on Attachment A) from USTA's member companies met with Richard Metzger, Richard Welch, Anna Gomez, Don Stockdale and David Konuch of the Common Carrier Bureau. The same USTA group met later the same afternoon with Joseph Farrell, the FCC's Chief Economist.

At both meetings, the discussion centered around the points contained in Attachments B and C. These same points were also made in USTA's comments filed in the proceeding.

Because of the lateness of the meetings, this notice is being filed today. An original and one copy of this ex parte notice are being filed in the Office of the Secretary. Please include this notice in the public record of these proceedings.

Respectfully submitted,


Mary McDermott
Vice President -
Legal & Regulatory Affairs

attachments

cc: J. Farrell
A. Gomez
D. Konuch
R. Metzger
D. Stockdale
R. Welch

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Copies rec'd
UNASODE

Dwayne G. Dowtin
Director, Federal Regulatory Affairs
Citizens Telecom
1400 16th Street, NW
Suite 500
Washington, DC 20036
202-332-5922, Ext 273
fax: 202-483-9277

John L. LaBonte
Vice President - CFO
MCT
11 Kearsarge Avenue
PO Box 337
Contoocook, NH 03229-0337
603-746-9000
fax: 603-746-3567
voice mail: 603-746-9460
jll@mctel.com

David L. Meier
Director, Legislative & Regulatory Planning
Cincinnati Bell Telephone
201 E. Fourth Street
PO Box 2301
Cincinnati, OH 45201-2301
513-397-1393
fax: 513-241-9115

Peggy L. Rettle
Manager of Regulatory Policy
Citizens Telecom
1400 16th Street, NW
Suite 500
Washington, DC 20036
202-332-5922 Ext 251
fax: 202-483-9277

Elizabeth H. Valinoti
Manager, External Relations
TDS Telecom
PO Box 5158
Madison, WI 53705-0158
301 South Westfield Rd
Madison, WI 53717-1707
608-845-4159
fax: 608-845-4184

SMALL AND MIDSIZE COMPANY PERSPECTIVE

USTA Position on Interconnection Implementation

CC Docket No. 96-98

o Small and Midsize Companies Fully Support the USTA Position.

Interconnection is no substitute for access charges. It is wrong for competitors to be able to buy unbundled network elements from LECs and reassemble them into what are access services.

It is confiscatory and illegal to price LEC networks for interconnection using the artificially optimized TS LRIC standard, by which networks are theoretically reconfigured with today's technology and priced at incremental cost. LECs past investment and associated costs in embedded facilities is non-discretionary, and must be compensated.

Access charge revenues comprise a great majority of total revenues for most small and midsize LECs. Two thirds is about the average, and figures as high as 80 percent exist.

A particular point of interconnection should be determined by negotiating an agreement between the parties. If negotiations fail, the Section 251(2)(2)(B) guidelines for "technical feasibility" should be flexible and take into account the demand on the resources of small and midsize companies.

o Particular Small and Midsize Company Concerns are Part of the USTA Position.

Rural LECs should be exempt from interconnection requirements until a bona fide request for interconnection is received. The requesting carrier must define a point of interconnection, offer service within one year, and fully compensate the incumbent LEC.

Midsize and small LECs should be able to file a waiver for modification or suspension of interconnection requirements which is allowed for incumbent LECs with less than two percent of the nation's access lines.

Existing agreements between non-competing neighboring LECs is not interconnection, and these agreements are unaffected by Section 251 of the 1996 Act. They remain in effect.

As with large companies, small and midsize companies need greater pricing flexibility and much simpler tariffing procedures to be able to compete effectively after a competitor enters their serving area through the bona fide request process.

In order to foster timely interconnection arrangements, access charges are a suitable proxy for unbundled interconnection in the provision of transport and termination arrangements. Also, special access rates may additionally serve as a proxy for unbundled interconnection elements in certain other arrangements

IMPLEMENTATION OF THE TELECOMMUNICATIONS ACT OF 1996

Sections 251, 252 and 253

CONCERNS OF MIDSIZE AND SMALL LOCAL EXCHANGE CARRIERS

1. A particular point of interconnection, or unbundled network element, should be determined by negotiating an agreement between the parties. If negotiations fail, the 251(c)(2)(B) guidelines for "technical feasibility" should be flexible and take into account the demand on the resources of the small and midsize companies.
2. Under the 1996 Act, the Commission should define generally what constitutes a bona fide request for interconnection. At minimum, the interconnecting company should be required to adhere to the following guidelines
 - Service must be provided within one year following agreement or arbitration, and the agreement must provide for a one-year minimum period. (States may require a longer service period.)
 - The points where interconnection is sought must be identified, network components and quantities must be specified and the date when interconnection is desired must be given.
 - Any investment required or expenses incurred for interconnection obligations must be accompanied by the ability to recover such costs. Therefore, acceptance of termination provisions sufficient to compensate the incumbent local exchange carrier for costs incurred in fulfilling the terms of the interconnection agreement must be included in the agreement or arbitration order. (States may require additional assurances, such as deposits or performance bonds.)
3. Implementation of any number portability solution, interim or long-term, should not be required by the FCC or the state commissions until the arrival of competitive providers in midsize and small company serving areas.
4. Existing agreements between local exchange carriers are outside the scope of Section 251 and should not be affected by enactment of the Telecommunications Act of 1996.
5. Local competition is likely to affect midsize and small companies when a bona fide request for interconnection is made, or by the presence of an established competitor in an adjacent company's serving area. In either instance, comprehensive pricing flexibility is essential to the ability of the incumbent provider to compete fairly.